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Peru

Coffee

Annual

2003

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Report Highlights:

Coffee production for Marketing Year 2002/2003 (April/March) is expected to reach 2.85 million 60-kilogram bags, a three percent increase compared to the previous year. This increase is due to better yields as a result of better international prices. Exports are forecast at 2.665 million 60-kilogram bags for MY 2002/2003, about 90,000 bags more than the previous year.

Includes PSD changes:
Includes Trade Matrix:
Annual Report
Lima [PE1], PE

Executive Summary

Coffee production for Marketing Year 2002/2003 (April/March) is expected to reach 2.85 million 60-kilogram bags, a shy increase compared to the previous year. This three percent increase is mainly due to higher yields due to a slight increase in prices. Exports are forecast at 2.665 million 60-kilogram bags for MY 2002/2003, about 90,000 bags more than the previous year.

PSD Table						
Country	Peru					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		04/2001		04/2002		04/2003
Area Planted	270	270	270	270	0	270
Area Harvested	250	250	230	230	0	230
Bearing Trees	430	430	430	430	0	430
Non-Bearing Trees	20	20	20	20	0	20
TOTAL Tree Population	450	450	450	450	0	450
Beginning Stocks	89	20	89	20	89	10
Arabica Production	2550	2550	2500	2750	0	2850
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	2550	2550	2500	2750	0	2850
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	2639	2570	2589	2770	89	2860
Bean Exports	2360	2360	2310	2575	0	2665
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	2360	2360	2310	2575	0	2665
Rst,Ground Dom. Consum	60	60	60	60	0	60
Soluble Dom. Consum.	130	130	130	125	0	125
TOTAL Dom. Consumption	190	190	190	185	0	185
Ending Stocks	89	20	89	10	0	10
TOTAL DISTRIBUTION	2639	2570	2589	2770	0	2860

Export Trade Matrix			
Country	Peru		
Commodity	Coffee, Green		
Time period	2002	Units:	Metric Tons
Exports for:			
U.S.	50832		
Others			
Germany	61076		
Netherlands	9752		
Canada	6834		
Belgium	5661		
UK	4795		
France	4235		
Total for Others	92353		
Others not Listed	24362		
Grand Total	167547		

Production

Coffee production in 2004 is forecast to increase three percent to 2.85 million 60-kilogram bags. Higher yields as a result of better prices will drive this slight increase. Peru only accounts for about two percent of the world's coffee production.

Coffee is grown in Peru in three areas. The most important for both volume and quality is the central eastern slopes of the Andes in Chanchamayo. The northern Andes and Cusco are the other two areas. Chanchamayo has been one of the most affected by drug trafficking and terrorism in the past, which has not allowed any increases in production or technical assistance until recently. Though terrorism has been eliminated from most parts of the country, it continues to have a threatening presence in this area.

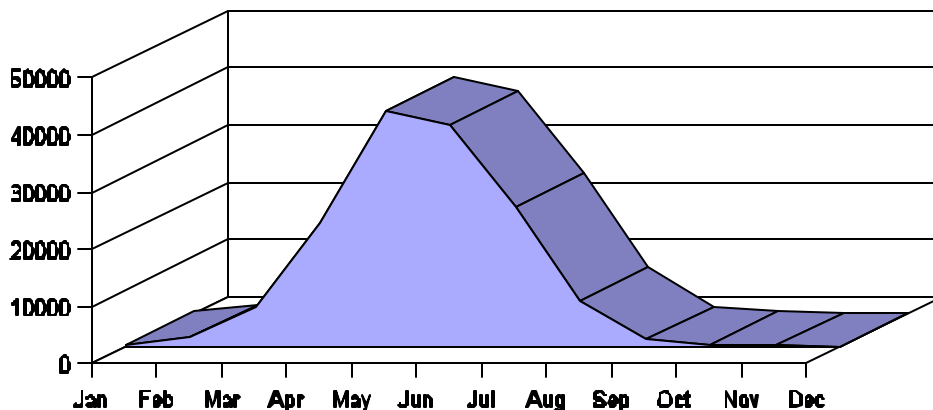
The vast majority of coffee producers limit their cultural practices to picking the beans during the harvest, provided prices are attractive. Because of relatively high costs, plant replacement and fertilization are rare among coffee growers. Thus average yields are quite low, between 8 and 16 bags per hectare, compared with 75 bags that some of the top producers are able to obtain in the same area (Chanchamayo), they replant and use fertilizers. If prices are not attractive, as in the last four years, coffee producers prefer not to pick the beans to avoid harvesting costs.

As with most Peruvian agricultural crops throughout the country, coffee producers face two major constraints. First, a lack of credit, as private banks still do not accept the farmers' often untitled land as loan collateral, and there is no official government lending institution. Most farmers obtain their loans from coffee buyers,

with the consequent high interest rate (around 14 percent), and a sale contract on the coffee's price. Second, during the land reform of the 1970's, land was divided into small plots, making it extremely difficult to efficiently manage coffee production, harvesting and processing. The average coffee finca in Peru is less than 10 hectares.

Because coffee grows in the coca producing areas, there have been some efforts by international aid agencies to provide technical assistance to produce and market coffee as an "alternative crop" for coca. Organic coffee production, in particular, has been targeted. There are about 17,000 hectares planted, about six percent of Peru's total coffee production area, with a production of about 172,000 60-kilogram bags certified as organic.

Harvesting Season



Consumption

Coffee consumption in Peru is rather low, about 45 cups per capita which translates into about 160,000 60-kilogram bags a year. Peruvian consumers have changed their consumption habits from roasted and ground to soluble coffee; around 75 percent of the coffee consumed in the country is soluble.

Trade

With total exports estimated at about \$200 million in 2003, coffee is by far Peru's largest single agricultural export. The main importers are Germany with 36 percent and the U.S. with 30 percent of the total exports.

Policy

DEVIDA, the government's umbrella agency for counter narcotic affairs has been encouraging coffee production as an alternative crop to coca leaf production. The U.S. Agency for International Development (USAID) has been assisting approximately ten percent of Peru's coffee farmers to increase the production and quality as part of an economic development program aimed at increasing farmers' licit incomes in coca areas. Part of this program is to match Peruvian coffee producers with U.S. gourmet coffee markets. Currently, AID through the PRA project is involved in developing business opportunities for exporting coffee. They are switching their focus from production to developing markets overseas.

Due to low international prices, the GOP is looking for an alternative crop, other than coffee, to coca. A hand full of native products have been identified but a substantial marketing effort has to be made to develop overseas demand, which at the time seems unlikely due to GOP's economic restrictions.